

D. E. Tolmachev^{a)}, E. A. Ulyanova^{a)}, L. M. Pliner^{a)}^{a)} Ural Federal University n. a. the First President of Russia B. N. Yeltsin**DEVELOPMENT OF SMALL AND MEDIUM-SIZED REGIONAL ENTERPRISES:
CREATION OF PRIORITY AREAS (THE CASE OF SVERDLOVSK REGION)¹**

This article presents the results of the research which deals with the current level of development of small and medium enterprises (SMEs) in Sverdlovsk region. The study analyses the statistics of entrepreneurship development as well as Russian and international experience in this sphere. It also includes a sociological survey of entrepreneurs' satisfaction with the business climate in the region. The research was aimed at elaborating guidelines for the long-term development of a regional entrepreneurship support system. This system seeks to facilitate the implementation of the 'Strategy for the Development of Small and Medium Enterprises in Sverdlovsk Region before 2030'.

As a result, an amalgam of strategic responses for the development of SMEs is presented. The completed response comprises measures intended to address the problems entrepreneurs face by developing SME support tools; to solve the endemic problems of the sector by improving the system of regional SME support; and to promote the realization of concrete priority areas for entrepreneurship development.

Keywords: small and medium enterprises, business support systems, entrepreneurship development, state support

The phenomenon of entrepreneurship, especially small entrepreneurship, has been actively studied since the mid-twentieth century. Most of the research in this sphere has been undertaken by scholars from the USA, UK, Singapore and Sweden. There is also the Global Award for Entrepreneurship Research, which has been awarded annually since its inception in 1996. Contemporary studies primarily focus on methodological approaches to research in entrepreneurship; an analysis of entrepreneurs' potential (and the role of particular characteristics of an entrepreneur's personality); the analysis of entrepreneurship support tools; and the impact of state policy on the development of this sector.

The importance of the small and medium enterprise sector (hereinafter — 'SME') is widely recognized, judging by the numerous publications and the available foreign statistical data. For instance, according to research carried out by the non-government organization 'Opora Rossii' in 2012, while the turnover of manufacturing SMEs in Norway, for example, accounts for about 48 %, (in the Czech Republic, Poland and France it is approximately 35 %); in Russia it is only 9 % [1]. At year-end, 2013 this sector in Germany accounted for 63 %; in Austria, 62 % [2]; but in Russia about 25 % (according to the calculations based on Rosstat (Federal State Statistics Service) data). In spite of the efforts on the part of the Russian government, and the diverse measures it takes to support and develop entrepreneurship, there is still no visible breakthrough in this sector, and there is not the growth of companies which would be able to make a significant contribution to the regional economy. According to A. Y. Chepurensky [3, p. 496-527], what is necessary is a preliminary concept study of state policy in the sphere of entrepreneurship support, which would involve an analysis of the experience acquired from Russian and international entrepreneurship as well as from public discussions.

At present the regional government is discussing the question of whether to update the concept and strength of state policy, or to develop its own strategy for SME development in Sverdlovsk region for the period up until 2030.

Research Overview

The key research objective was the development of guidelines for the establishment of a better entrepreneurship support system in Sverdlovsk region.

The review of literature on the issues of entrepreneurship development has lead us to highlight the following targets to be aimed for:

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1) to analyse the current condition of the SME sector in Sverdlovsk region, its contribution to the regional economy, the main problems and obstacles to its further development, its prospects, and the recommendations made to enhance the development of this sector;

2) to research the Russian and international experience of SME support;

3) to discuss with the parties concerned (representatives of SMEs, experts, representatives of the SME support infrastructure, and non-governmental organizations) the results already achieved and elaborate guidelines to improve the state SME support policy.

The main research methods used were: an analysis of statistical data of SME development; an analysis, and benchmarking, of the Russian and international SME experience; an analysis of ratings and surveys of Russian regions in terms of business climate and results of SME development; and sociological studies. The societal aspect of this work comprised a mass survey of SME representatives (directors and deputy directors), and of focus groups with entrepreneurs and representatives of the business support infrastructure, including non-governmental organizations of Sverdlovsk region.

The Current State of SME Development in Sverdlovsk Region

The SME sector plays a crucial role in the development of any region, providing economy diversification, supplying the consumer market with essential commodities and services, and creating employment. Since SMEs are consumer-orientated, this makes them more vulnerable to any recession, when the population's effective demand decreases. At the same time, the flexibility and high level of adaptability of SMEs can reduce the negative effects of poor external economic conditions. These features make SMEs key players in the innovative development of regional and national economies.

Assessment of SME development in Sverdlovsk region was carried out by analysing the main statistical indicators, characterising the development of this sector, in comparison with national average values and those of other Russian regions (see Table 1).

According to this Rosstat data, Sverdlovsk region is one of the leading regions in the country after the unchallenged leaders (Moscow, St. Petersburg and Moscow region) in terms of the main indicators characterizing the level of SME sector development: the number of units in the SME sector, the sector turnover; and employment. According to the specific indicators reflecting the contribution of SMEs to the general economic development of these regions, Sverdlovsk is outside the 'top ten', and for some indicators it is in the middle of the rankings. This being the case, it is important to take into account the differences between the regions in terms of their structure, level of socio-economic development, and the level of state policy being realized therein. Thus, the regions chosen for a detailed analysis of the SME support experience are comparable to Sverdlovsk in their level of socio-economic development: Moscow region; the Republic of Tatarstan; the Republic of Bashkortostan; Samara region; and Krasnodar region. The analysis was based on a specifically-developed methodology.

Judging by the distribution of absolute indicator values between different categories of the SME sector in Sverdlovsk region, the greatest contribution is made by small enterprises (employment, 38.3 %; investments, 53.8 %) and individual entrepreneurs (number of enterprises, 49.8 %; turnover, 35.2 %).

As for the specific indicators of the SME sector development for each enterprise, the key player for these indicators is the medium-sized business, which accumulates the largest human and financial resources and contributes more considerably to investment development. This is, according to global best practice, what makes medium business the basis of an economy: the number of such enterprises should, therefore, be increased.

However, the medium-sized business sector in Sverdlovsk region is actually underdeveloped and its performance is lower than the average national figures. Furthermore, it is these medium-sized enterprises which show the greatest reduction in the absolute values of the SME development indicators (see Table 2).

Statistical data shows the efficiency of the SME sector owing to the level of state policy of entrepreneurship support implemented in the region. Various ratings of the business and investment climate in the Russian regions allow us to estimate the efficiency of this policy and the attempts to create a favourable business climate. The analysis of the external evaluation of Sverdlovsk region involved five ranking systems: 'Doing Business — 2012: Doing Business in Russia' [4]; 'National Rating of the Investment Climate in Russian Regions' (Agency for Strategic Initiatives) [5]; 'Quality of Business Environment Index in 2012–2013: Regional Discrepancies' (OAO 'MSP Bank') [6, c. 17, 20–21];

Table 1

Indicators of development of the SME sector in Sverdlovsk region in comparison to other regions of the Russian Federation

№	Indicator, unit of measurement	Data for Sverdlovsk region, 2013	Position of Sverdlovsk region	Leader for this indicator	Data for the leader, 2013
1	Number of small enterprises, ths. u.	7.85	4	Moscow	30.17
2	Number of micro-enterprises, ths. u.	73.89		Moscow	211.8
3	Number of medium-sized enterprises, units*	317	11	Moscow	695
4	Number of individual entrepreneurs, ths. u.	84.3	5	Krasnodar region	167.6
5	Number of SMEs (including individual entrepreneurs), u/10 ths. population	178	10	St.Petersburg	421
6	Employment at SMEs (including individual entrepreneurs), ths people	639.5	5	Moscow	1771,
7	Share of people employed at SMEs (including individual entrepreneurs) in relation to the general employment, %*	29.6	7	Kirov region	34,2
8	Turnover of SMEs (including individual entrepreneurs), bln rub	1723.2	4	Moscow	5616.5
9	Investments in the capital of the SME sector, bln rub	14.6	15	Krasnodar region	45.2
10	Share of SMEs in the volume of investments in the capital of the region, %	3.5	62	Republic of Ingushetia	36.2
11	Share of innovative products/services in the overall volume of products/services produced by small enterprises	2.43	26	Murmansk region	13.6
12	Share of small enterprises in the government order (value), %*	5.5	32	Vladimir region	13.6

* 2012 data.

Source: Rosstat.

Table 2

Changes in performance in the period 2012–2013 by category of SMEs in Sverdlovsk region, %

Indicator	Medium enterprises*	Small	Micro	Individual entrepreneurs
Increase in the number of units	–12.9	–10.9	9.1	10.6
Employment gain	–18.8	–7.0	12.9	11.1
Turnover increase	–22.7	–9.2	38.8	19.9
Investment increase	–66.4	35.5	11.1	—

* Calculations are made on the basis of 2011–2012 data.

Source: Rosstat.

Table 3

Rating Position of Sverdlovsk Region

Indicator	‘Doing Business — 2012: Doing Business in Russia’	‘National Rating of the Investment Climate in Russian Regions’	‘Quality of Business Environment Index in 2012–2013. Regional Disparity’	‘Dynamics of Small Business Development in Russian Regions in 2013’	‘Entrepreneurial Climate in Russia: Index of OPORA 2012’
Rating position	24 (out of 30)	18 (out of 21)	Is in the group of 21 middle-ranking regions	Is in the group of 14 leaders	24 (out of 39)

‘Dynamics of Small Business Development in Russian Regions in 2013’ (National Institute for System Studies of Entrepreneurship) [7]; and ‘Entrepreneurial Climate in Russia OPORTA 2012’ (OPORTA Rossii) [1].

Table 3 illustrates the position of Sverdlovsk region in the ratings. An analysis of these ratings leads us to the following conclusions. Firstly, Sverdlovsk region is included in all authoritative studies, which is evidence in itself of its remarkable level of SME development, and of the favourable business environment created in the region compared with the majority of Russian regions. It is also illustrated by the statistical data. Nevertheless, the region’s ranking is still low: usually it is found in the lower parts of the lists (see Table 3).

According to a survey conducted by ‘OAO MSP Bank’ [6], the advantages of Sverdlovsk region are the effective demand for commodities and services, and the low level of barriers to entering the market; yet these are understood as the factors preventing entrepreneurs from starting or expanding their businesses.

Almost all ratings, however, demonstrate that entrepreneurs are hampered most seriously by having to obtain permission documentation, or by the lack of access to production infrastructure. As for permission documentation, SMEs are affected adversely by the time taken to undergo the procedures and by their cost, although in comparison to other regions, Sverdlovsk has an optimum number of procedures. According to OPORTA Rossii [1], other impediments to the development of manufacturing SMEs are ‘human resources’ and ‘financial resources’. As for ‘human resources’, 34 % of entrepreneurs mentioned the lack of qualified personnel in the job market. Within the indicator set ‘Financial resources’, high loan rates (48 % of entrepreneurs), and difficulties connected with pledging a security (or the complete impossibility of arranging one (14 % of entrepreneurs)), were named as the main constraints.

When identifying priority areas for SME development in Sverdlovsk region, these results of external assessment were taken into thoughtful consideration. Summarizing the results of the entrepreneurial climate development, and the efficiency of the SME sector, it may be concluded that Sverdlovsk region is not a leader in this sphere; it takes a middle position among other Russian regions that are comparable to Sverdlovsk region in their social and economic development. The main weaknesses of Sverdlovsk region are the following:

- business registration procedure is long and complex. It takes the longest time of all the regions to submit documents for registration of a legal entity to the ‘one stop’ office of the Federal Tax Service and to receive those documents. Such conditions seriously impede business development and have a negative impact on transparency and business integration into the ‘formal’ sector;

- the procedure for getting connected to resource supply systems is very protracted, complex and expensive. For instance, the most time-consuming procedure in getting connected to the power supply system in Sverdlovsk region is the project development plan and obtaining approval for the external power supply. Financial borrowing costs being high, manufacturing enterprises find it hard to develop businesses in such conditions;

- underdeveloped factors of production (accessibility of the most important resources for entrepreneurial activity: human capital; finance; and a developed infrastructure); in particular, a lack of qualified personnel in the job market, along with high loan rates and difficulties when pledging a security; or the near-impossibility of doing so;

- negative trends in the development of medium-sized businesses, their overall decline. In the meantime, it is medium-sized businesses which are the driving power for the economies of other developed countries, since they provide employment and develop innovative technologies;

- an unfavourable structure for entrepreneurial activity, along with the low level of potential entrepreneurship.

In view of the above-mentioned trends, the following targets should be considered when defining the priority measures for SME support in Sverdlovsk region:

- 1) provide compliance with deadlines and provide transparency for the procedure for acquiring business permission documents;

- 2) lowering administrative barriers;

- 3) facilitating SME access to financial resources; providing financial support for SME projects in the priority areas;

- 4) enhancing business activity.

An Analysis of International Experience of SME Support

This study includes an analysis of global experience in the sphere of SME support, in order to identify modern trends to be hopefully then realized in Sverdlovsk region.

For an analysis of the global practice of state support, the following countries were chosen:

- 1) advanced countries that have achieved significant results in the development and implementation of SME support mechanisms and in which SMEs account for a substantial share of the economy;
- 2) developing countries with a high level of business involvement and entrepreneurial climate;
- 3) countries in transition, meeting the criteria of high-quality business environment for SMEs.

The selection of countries meeting these requirements was based on the rating 'Doing Business 2014' [8]. Analysis of the average values for these groups of countries has led us to highlight the developed OECD countries as the leaders in terms of the quality of state institutions and the ease of doing business. The countries of Central and Eastern Asia are also valuable for analysis since, on the one hand, they have a relatively high level of state regulation development, on the other hand, though, they have higher business expenses than the OECD countries. As a result, Austria and Germany were chosen as developed countries of the OECD and leaders in sustainable development of the SME sector; China, as representing the group of developing countries, and Central and East Asian countries; and Kazakhstan, as a country in transition. According to 'Doing Business 2014', the first two countries are far ahead of Russia in terms of their business environment: Germany is in the 21st place; Austria occupies the 30th place; while Russia is 92nd. At the same time, China is holding roughly the same position as the Russian Federation (four positions below), with Kazakhstan holding 50th place. Analysis of the 'Doing Business' rating has shown that while the costs of starting businesses in Russia are relatively low, SMEs face more serious challenges in finding financial resources in comparison to the other countries under consideration. Russian SMEs are also experiencing stronger pressure because of state regulation. Therefore, the main target for the analysis of global experience and best practice is to identify the key features of SME regulation in terms of administrative procedures and fund raising. In addition, this analysis allows us to reveal crucial features of the state regulation of SMEs, pointing out strategic priorities in SME support policies. Below are the crucial features:

1. The SME support policy in Austria and Germany [9,10] is aimed at supporting young entrepreneurs, developing start-ups and providing sufficient support for SME venture capital financing. In the industrial field, priority is given to manufacturing projects targeted at the modernization and restructuring of production; projects involving high-tech applications (including government procurement); and projects in creative spheres. It is determined primarily by the structure by sector of SMEs, in which manufacturing companies (about 20 %) play a key role. Furthermore, in the light of negative demographic trends, the governments of these countries see youth as the main source of development of new entrepreneurial activity, which tilts their state policy more towards start-up support programmes and programmes for the development of entrepreneurial skills among school children and university students.

2. The SME support policy in developing countries (for example, in China [11, 12]), has a comparatively short history and is characterized by a smaller scale of SME support infrastructure and less experience in this sphere. By volume of their involvement in the country's economy, Chinese SMEs are comparable to those of Germany and Austria: they account for up to 60 % of the gross national product. China has an important peculiarity, though: over half of all its SMEs are functioning in manufacturing industry, which imposes certain limitations on SME support measures. The government is putting great efforts into lowering administrative barriers and removing unnecessary regulators; and in providing SMEs with significant fiscal incentives. A crucial role in SME support is played by the large-scale industrial policy of spatial concentration development in the form of free-trade zones and the attraction of foreign investments as well as the importation of sophisticated technologies.

3. According to the Damu Entrepreneurship Development Fund, the policy of SME support in the Republic of Kazakhstan includes a wide range of programmes within two clearly defined strategic areas: the development of a funding system for manufacturing SMEs; and the development of entrepreneurial skills. Orientation towards best (world) practices has enabled Kazakhstan to develop and implement a wide range of programmes within the chosen strategic priority areas, which include, in particular, educational programmes comparable in quality to similar Austrian and German programs, and mechanisms for funding manufacturing SMEs.

In general, the analysis of the global experience of SME support, and analysing related publications [3], reveals a few important details which need to be considered when identifying priority areas for SME support in Sverdlovsk region:

- 1) act to support companies with high potential for growth and for provision of employment; and companies which are predominantly engaged in realizing innovative projects;
- 2) enhance the infrastructure of SME development: that is, create regional specialized clusters, thus improving the growth potential of such companies and providing them with the necessary resources and competencies;
- 3) be more selective when providing support for beginning entrepreneurs; reduce funding for self-employment as a tool for stimulating entrepreneurship, except for single-industry towns and depressed areas;
- 4) the research results demonstrate the relatively low efficiency of small start-up enterprises in terms of employment and their contribution to the regional economy in comparison to already existing SMEs with high growth potential;
- 5) support the development of 'venture tools' for small business development (funds, 'angel' investors) as the most effective help for selection of successful projects: provide these companies with assistance in acquiring financial resources for long-term projects on favourable terms; and provide the legal foundations for entrepreneurial activity; and advertise and promote successful undertakings;
- 6) promote a demand for innovative products on the part of other players in the regional economy;
- 7) monitor the state SME support policy implemented in the region and assess its effectiveness;
- 8) support the development of manufacturing SMEs;
- 9) popularize entrepreneurship among university students and upper high-school students.

Survey of Satisfaction of Entrepreneurs with the Business Environment in Sverdlovsk Region

Research Methodology. In October-November 2014 a sociological survey was conducted in Ekaterinburg and municipal districts of Sverdlovsk region. The survey comprised three parts:

- 1) a mass survey of SME subjects;
- 2) several focus groups with entrepreneurs and representatives of the SME support infrastructure;
- 3) a remote questionnaire survey of representatives of local administrations.

The mass survey covered 432 people. The selection criteria were: types of companies (construction, wholesale and retail trade, service sector, agriculture and food industry, manufacturing industry); type of ownership (neither state nor municipal); and staff numbers (corresponds to the number of SMEs).

Categories of enterprises (percentage of respondents): small enterprises, 44.5 %; individual entrepreneurs, 25.9 %; medium-sized enterprises, 17.6 %; and micro-enterprises, 12.0 %.

The survey geography was (percentage of respondents):

- Ekaterinburg, 62.7 %;
- Mining administrative district (Nevyansk, Nizhny Tagil), 42 %;
- Western administrative district (Verkhnyaya Pyshma, Pervouralsk), 9.5 %;
- Southern administrative district (Kamensk-Uralsky, Sysert, Berezhovskiy), 7.4 %;
- Eastern administrative district (Alapaevsk, Rezh), 5.3 %; and
- Northern administrative district (Kachkanar, Krasnoturyinsk), 5.3 %.

Breakdown of respondents by economic sectors (percentage of respondents): service sector, 25.2 %; trade, 19.7 %; agriculture, 18.5 %; construction, 18.3 %; manufacturing, 18.3 %.

The staff numbers of most enterprises are 15–100 people (55.6 % respondents), in 26.4 % of organizations there are 1–14 employees; in 18.1 % of the surveyed companies, 101–250 employees.

The majority of respondents (51.6 %) are within the ages of 36–45 years. Among the respondents there are 25.2 % entrepreneurs under 35; 22 %, between 46 and 55; 1.2 %, over 55. The survey included six focus groups with entrepreneurs and representatives of the SME support infrastructure, conducted in the following municipalities: Zarechny; Artemovskiy; Revda; Krasnoturyinsk; Verkhnyaya Salda; and Ekaterinburg. In total, the qualitative study involved 70 respondents.

Survey Results. The participants of the mass survey were asked to estimate the following range of factors affecting the business climate and SME development in Sverdlovsk region: barriers; current provision of resources of the SME sector; business conditions in the region; and evaluation of the

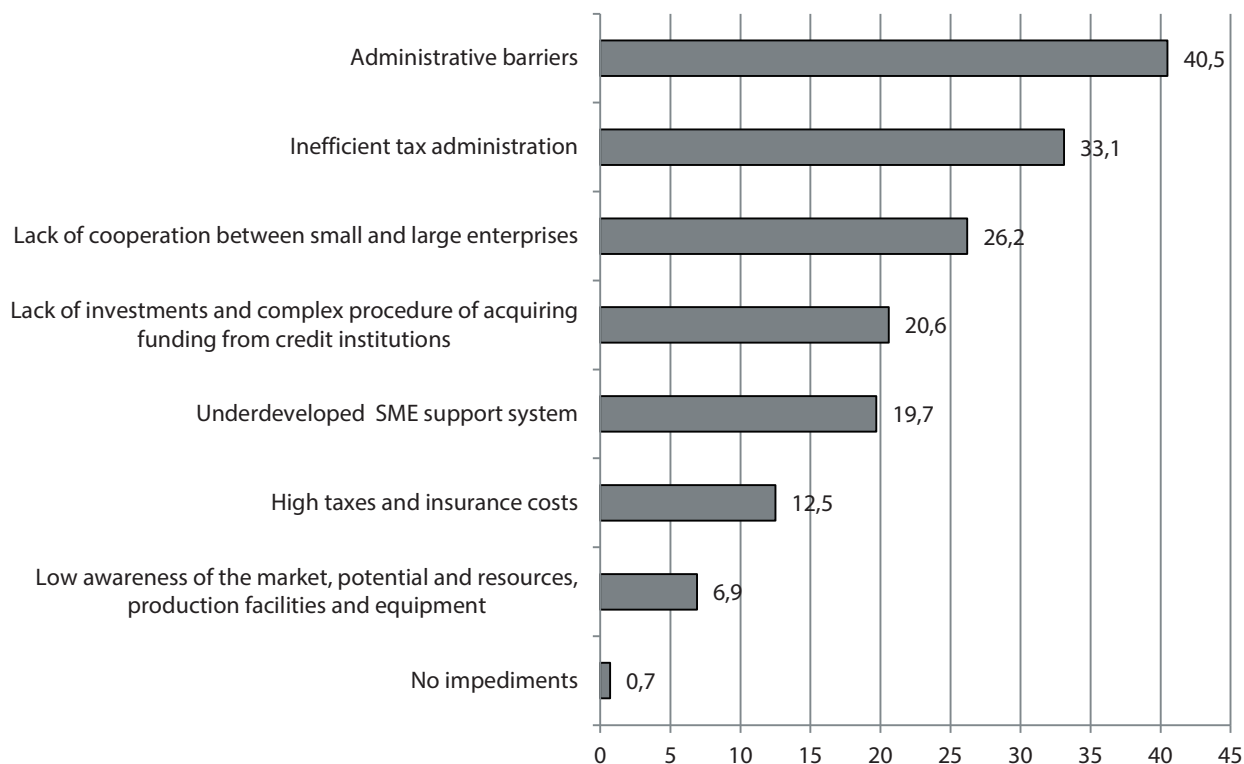


Fig. 1. Main impediments to SME development in Sverdlovsk region, % respondents

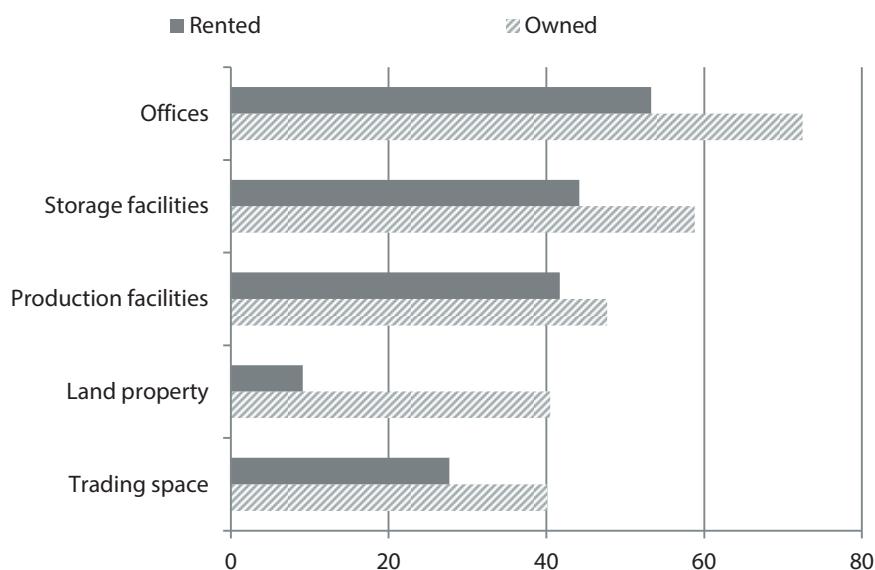


Fig. 2. Demand for real property, %

economic situation. The entrepreneurs also assessed the level of awareness of the existing state support measures and their own experience of acquiring such support.

The major constraints to the development of SMEs in Sverdlovsk region, according to the respondents, are administrative barriers (40.5 %) and inefficient tax administration (33.1 %) (Fig. 1).

Other significant constraints named were the interaction of SMEs with large enterprises, insufficient state investments in entrepreneurship development, and the undeveloped infrastructure of state SME support.

The analysis of SME resource provision includes an analysis of such aspects as real estate assets, infrastructure, funding, and human resources.

The survey has shown that the most sought-after types of property, owned or rented, are office space and storage space. Respondents prefer buying land property, and trade space, to renting. (Fig. 2).

The core problems of the commercial property market are considered to be: exorbitant prices and difficult conditions; scarcity of choice; lack of information; and non-transparent price-formation.

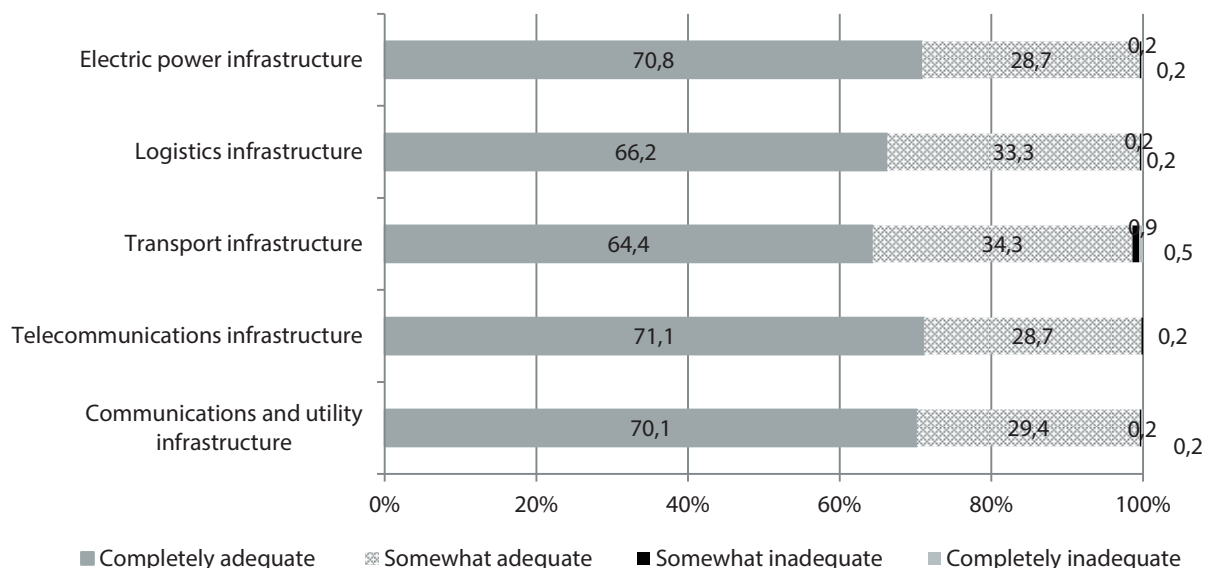


Fig. 3. Assessment of infrastructure adequacy, %

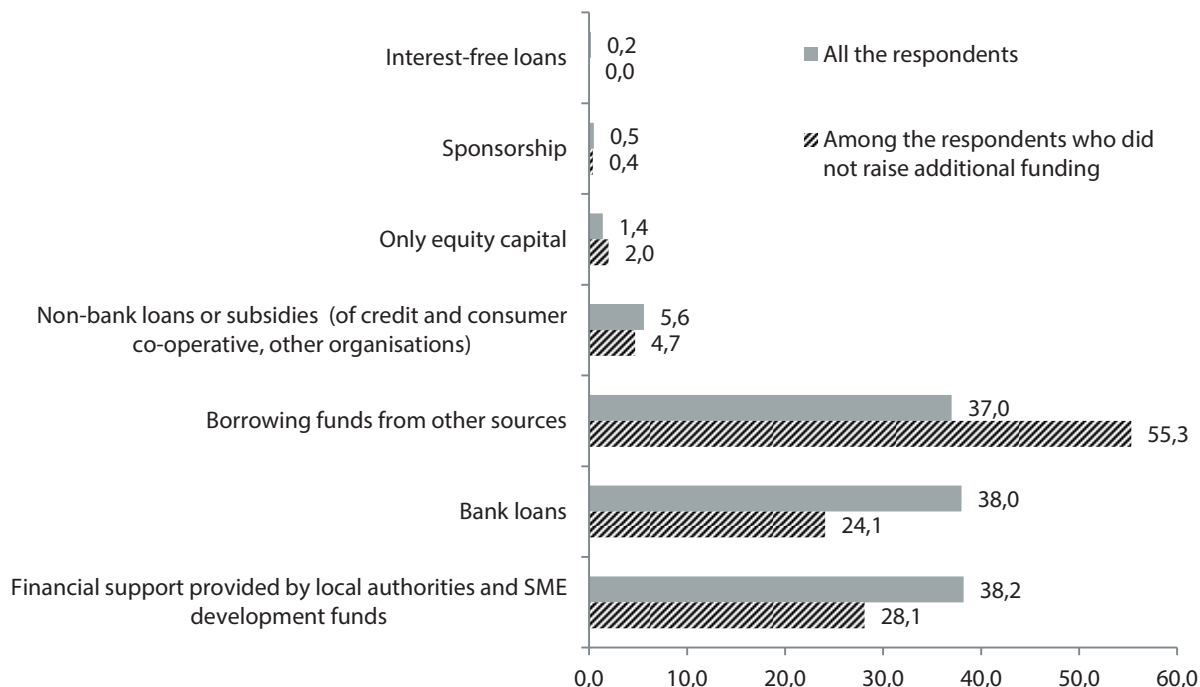


Fig. 4. Attractive funding sources, %

The respondents' assessment of existing infrastructure shows that in general the infrastructure fully conforms to the needs of SMEs. Over half of the respondents pointed out that there is no need for new power capacities for their enterprises. A third of the respondents need new capacities but have no connection problems (Fig. 3).

Additional funding resources for business development are used by less than half of all respondents (41.4 %). The main reason for raising money is to replenish the investment recurring funds (34.3 % respondents). Other important reasons are purchasing equipment (13.4 %), including vehicles (4.2 %). Only 0.2 % of enterprises had to seek funds for advertising.

The enterprises which resort to fund-raising have pointed out the following problems preventing them from getting additional financial resources:

- high loan rates, 32.4 %;
- loan security required, 11.7 %;
- much documentation required to acquire a loan, 10.1 %;
- drawn-out proceedings, 7.8 % (Fig. 4).

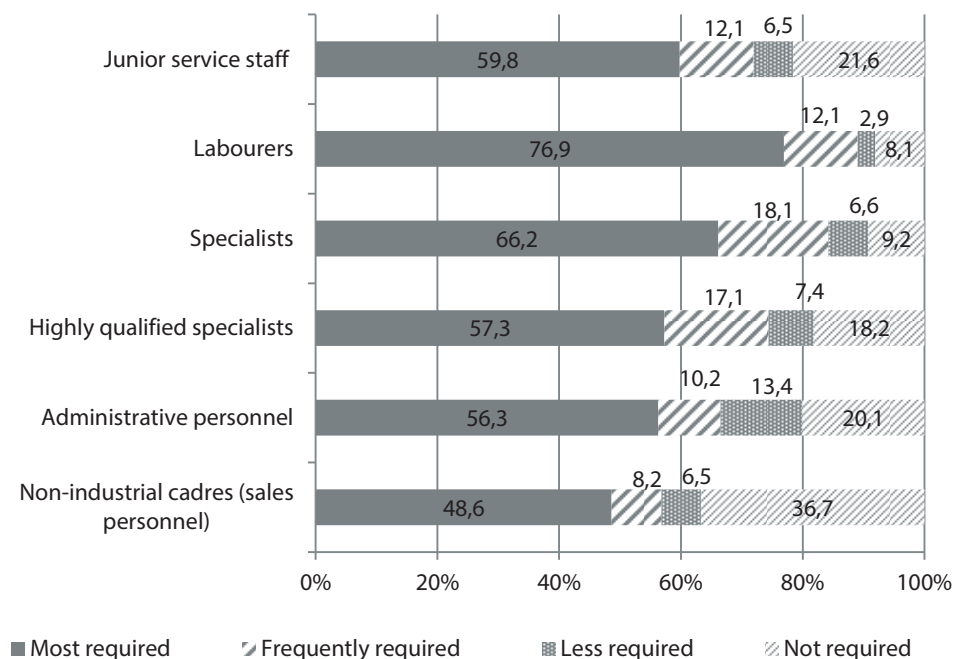


Fig. 5. Demand for human resources, %

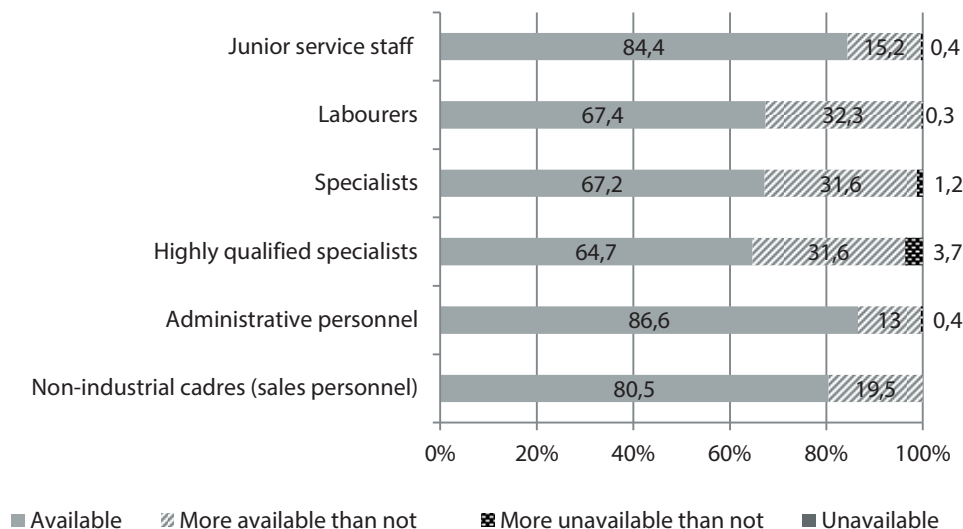


Fig. 6. Availability of human resources, %

The most attractive sources of additional funding are considered to be bank loans and some types of state financial support (that is, received from local authorities and entrepreneurship development funds).

The provision of human resources was assessed by two parameters: the demand for and availability of human resources for business. According to the survey results, the greatest demand is for labouring staff (76.9 % responses) and highly-qualified specialists, predominantly in the construction sector. The least demand is for non-industrial sales personnel (Fig. 5).

Most respondents confirmed that there are surpluses of some different employment categories available in the market. For 3.7 % of respondents, highly-qualified specialists are unavailable (respondents in the construction sphere observed the need for high-level engineers).

Respondents have highlighted the main constraints in finding the necessary personnel:

- lack of educational programmes to train specialists in particular fields;
- specialists lacking in competencies and expertise for specific business areas;
- lack of finance to entice good specialists (Fig. 6).

Most entrepreneurs consider the business conditions in Sverdlovsk region favourable for the development of SMEs: 31.1 % said that they are undoubtedly favourable, while 31.1 % said that they are rather more favourable than not.

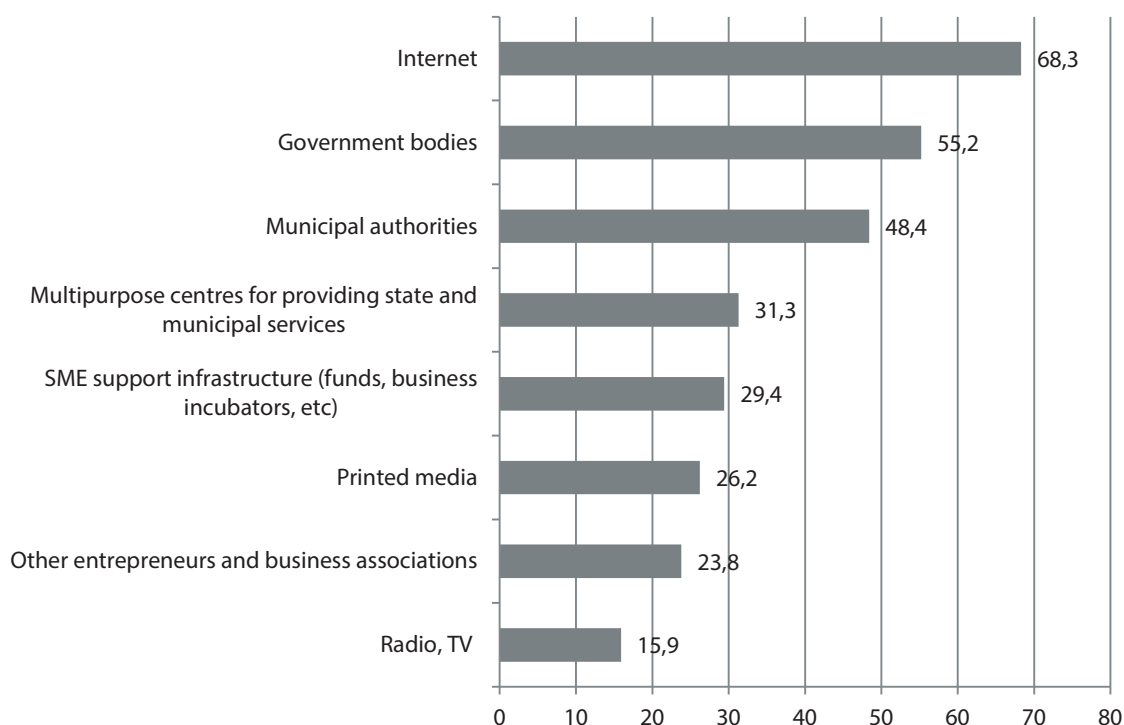


Fig. 7. Sources of information on the SME state support, %

Main Positive Factors, %:

- there is a demand for production and services, 32.1 %;
- business prospects are improving in line with the city's growth, 18.1 %;
- the state creates favourable business conditions, 14.2 %;
- support for small business, 12.9 %;
- financial and lending support, 7.7 %.

Main Reasons for Negative Assessment, in absolute figures:

- competition growth, 10 people;
- administrative barriers, 6 people;
- lack of funds, 6 people;
- decrease in demand, and purchasing power, 6 people;
- price increases, 2 people;
- taxes, 2 people.

The respondents were then asked to estimate the economic situation and its impact on their markets.

At the time of the survey, 88.0 % of respondents estimated the economic situation in the country as favourable or rather favourable over the next 2–3 years; over the next 5–6 years, 84.9 % respondents thought so. The reasons were that there is sufficient demand for their products (41.1 %); there is state support for SMEs (18.5 %); and good prospects for further development (13.2 %).

The respondents who were pessimistic when estimating the economic situation gave the following reasons: a poor economic situation in the country (28 %); adverse changes in exchange rates and price increases (20.3 %); and market competition (20 %). Only one-fifth of all the surveyed entrepreneurs mentioned the impact of sanctions on the SMEs operating in the municipalities of Sverdlovsk region. SMEs involved in wholesale and retail trades and manufacturing industries, tend to experience the impact of sanctions most often and most seriously.

Another part of the survey was devoted to obtaining state support and the availability of information about it. According to the survey, 58.3 % of entrepreneurs consider themselves to be well-informed about state support for SMEs. The survey has shown that the awareness level does not depend on the geographical location of the enterprise.

The majority of respondents (58.3 %) have never requested state or municipal support. 31.0 % of enterprises have a positive experience of obtaining state support ('used and received state support').

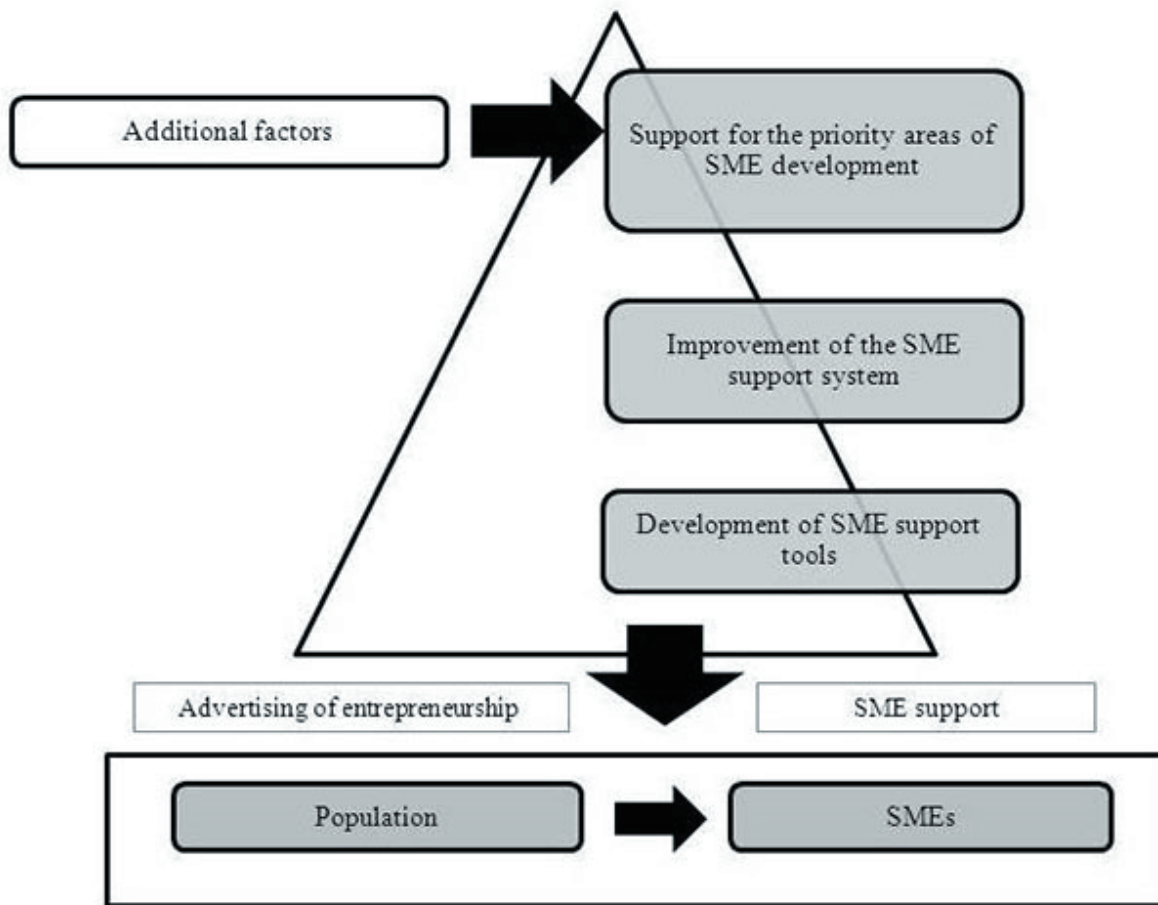


Fig. 8. Areas of improvement of the regional SME support system in Sverdlovsk region

0.8 % of respondents used state support but did not notice any related, meaningful results. 9.9 % of respondents applied for state support but their application was declined (Fig. 7).

Most frequently support is requested by companies which have been in the market for over five years.

Substantial improvement of their businesses after acquiring state support was observed by almost two-thirds of the respondents (62.5 %). About a third have definite doubts about the improvements.

The most sought-after support tool is direct financial assistance (85 %). Only 11.3 % of respondents had the experience of support related to educational services.

Less than 8 % are prepared to require support for the second time because support is short-term and it is difficult to acquire.

Priority Areas for SME Support in Sverdlovsk Region

According to the results of the survey involving SMEs and SME support infrastructure, there are five groups of obstacles to the development of such companies. There problems in the following groupings:

- 1) caused by funding difficulties;
- 2) associated with the low level of awareness of the existing resources and opportunities for business development;
- 3) associated with existing property and infrastructure limitations;
- 4) related to the population's low entrepreneurial literacy;
- 5) problems related to the underdeveloped business environment in Sverdlovsk region, itself hindering entrepreneurial initiatives.

Analysis of the highlighted problems has revealed a number of systemic failures of the SME support system in the region. Therefore, to improve the regional SME support system we should, as an urgent priority, address the following issues:

1) the low awareness level of entrepreneurs of the existing SME support opportunities and the submissions required to acquire this support; this leads to a lack of trust on the part of entrepreneurs and a low level of business activity;

2) the lack of cooperation between the elements of the regional support system on the municipal level and, as a result, poor performance of these elements;

3) the staff of the support infrastructure lack competence and are unable to provide sufficient information on the available support tools and required documentation;

4) the lack of transparency in decision-making when allocating support among entrepreneurs;

The guidelines on SME support measures in Sverdlovsk region should therefore aim not only at improvement and development of separate tools, but at improvement of the whole regional support system and the key priority areas. Since the available resources are limited, it is important to select certain priority areas to achieve the desired vision for the SME sector in the future (Fig. 8).

The following priority areas for the development of small and medium enterprises are recommended:

1. Enhancing entrepreneurial activity and the formation of an entrepreneurial culture:

— support for beginning entrepreneurs with high growth potential and encouraging self-employment of the population in depressed areas;

— the development of youth entrepreneurship;

— the promoting and advertising of entrepreneurship.

2. Support for SME sales in the Russian and international markets:

— improvement of cooperative efficiency among small, medium and large businesses; cluster development;

— development of international business connections for SMEs, and support of export-orientated SMEs;

— development of mechanisms for the promotion of local producers of commodities and services.

3. Assistance in the realization of SME investment projects:

— modernization and technological upgrades of manufacturing SMEs;

— support of SME projects targeted at import substitution and enhanced local manufacturing;

— support of SMEs in attracting investments and in the realization of development projects.

4. Development of innovations in the sphere of small and medium entrepreneurship:

— creation and development of the support infrastructure for innovative development;

— development of financial tools for innovative activity support;

— development of workforce capacity in the sphere of innovation;

— providing advisory services on questions related to innovation and the marketing of innovative production.

5. Development of medium sized entrepreneurship:

— development of financial tools to support medium-level businesses in the realization of long-term projects: for example, providing them with securities and guarantees for lease contracts with commercial banks; with investment lending, and so on;

— development of the network of offices of Sverdlovsk regional business community in Moscow and other strategically important Russian regions and partner export countries;

— assistance in the development of industry-specific clusters concentrated around dynamically developing medium-sized companies by enhancing the growth of partnership networks and production chains;

— boost support given by executive authorities and local government to priority projects aimed at developing medium-sized enterprises;

— the consideration of proposals by medium-sized business entrepreneurs when drawing up strategic development documents, regulatory acts, new tools for SME support, and so on;

— signing additional agreements with infrastructure organizations for SME support. For instance, the further development of mechanisms to assist non-trading, medium-sized companies in finding security for their investment projects. This mechanism is currently supervised by 'Vneshekonombank';

— support of import substitution investment programmes for medium-sized businesses by providing state securities; promotion of import substitution programmes based on public and private partnerships.

6. The lowering of administrative barriers for the development of entrepreneurship.

Additional factors for distinguishing priority areas for SME support, could be region-specific and industry-specific approaches.

To identify the industries which are of high priority for SME support the following principles must be considered:

1. Cluster policy, that is, support for the areas which have all the necessary preconditions for clustering or which already. In European countries, SME support is based on a cluster policy, since clusters foster opportunities for interaction between small, medium and large businesses, which allows a critical mass of human, financial and material resources, essential for innovation activity, to be reached.

2. Strategic areas of development for the industrial complex set by the state programme of Sverdlovsk region 'Development of Industry and Science in Sverdlovsk Region Before 2020' [2].

3. Service sector. Support may be provided to enterprises providing socially-important services, targeted at addressing the endemic problems of Sverdlovsk region.

4. Agriculture and agro-food industries.

5. Housing and utility sector The housing and utility sector is an area of greatest concern for the population and for public authorities. Promising areas for SMEs in the housing and utility sector could be the development, production, installation and use of electricity metering devices; the maintenance of housing facilities and utility networks; the removal and recycling of domestic waste; the production of spare parts and fabrications for the renovation of the sector's obsolete infrastructure; and so on.

Another criterion for the selection of enterprises for financial support is the territorial principle:

1. the support of depressed areas in Sverdlovsk region. The criterion to be applied could be the unemployment level, which is twice as high as the average in the region.

2. the support of single-industry areas, in accordance with the Order of the Government of the Russian Federation of 29 July 2014, № 1398-p.

3. the support for innovation-driven areas, in accordance with the 'Innovation Development Strategy of Sverdlovsk Region before 2020' (adopted by the Decree of the Government of Sverdlovsk Region of 22 May 2013 № 646-III).

Improvement of the regional SME support system includes the following strategic goals:

1. The optimisation of cooperation between the regional and municipal levels of SME support; and active involvement of business associations in the process.

2. Improvement of information dissemination policy of the SME support system and enhancement of its quality specifically:

- the formation of a unified register of measures to support SMEs depending on their life cycle stage, their development projects (innovative projects; distribution system development (including export business division); investment projects, including technical upgrading; development of partner networks, including cooperation projects). Also including their specific needs (for example, finance, information, human resources, infrastructure, and administrative resources). It is essential that the unified register should include support measures provided by other participants of the support system, apart from the state:

- the formation of a unified register of the SME support infrastructure, including at the regional, municipal and federal levels;

- an increase in transparency of the selection process for SME state support by establishing clear regulations for tendering; publishing a schedule and deadlines of competitive tenders; conducting audits of businesses; holding commission sessions and publishing information about its decisions timeframes for providing support; and selection criteria and priority areas for each tender; and so on;

- the development of an online submission system for applications and accounting documents, with online status tracking, guidelines for follow-up application revision, and methodological guidance for preparing application documents;

- a constant upgrading of skills and qualifications of SME support infrastructure staff to ensure high quality assistance in the sphere of available support programmes, tools, and document preparation;

- the development of awareness of resource and infrastructural opportunities in the SME sphere;

- regular awareness raising concerning the relevant changes in legislation; tender competitions for state support; project realization; and public and municipal contracts; and so on.

3. Specifying and updating priority areas in the sphere of SME support.

4. Assessment and monitoring of the effectiveness of SME support programmes in Sverdlovsk region.

The third group of priority areas for the SME support system is ***the development of particular tools for SME support***. The analysis of the SME survey has revealed the limitations to their development, which led to an identification of four groups of factors: finance; infrastructure; information; and human resources. Each is characterized by its own set of components, those which are already being applied; and new ones. The tools already in use were supplied with proposals for their improvement. This research has therefore shown that the complex of strategic areas, and available mechanisms for their realization, consists of measures to address the vital issues faced by SMEs, which should be executed by developing further tools for SME support. The endemic problems of SME support must also be addressed by improving the support system and significantly enhancing priority areas of entrepreneurship development.

The key principles of state policy aimed at SME support must be the following:

1. Integration of the SME support measures with the needs of entrepreneurs and the economic climate in Sverdlovsk region.

2. Provision of equally accessible conditions for obtaining SME state support for all entrepreneurs.

3. Strengthening the municipal level of the SME support policy and providing specific support measures for the local areas.

4. Complex approach to SME support, aimed at meeting the needs of entrepreneurs at various stages of businesses' development.

5. Priority for regional SME development projects targeted at achieving the maximum synergistic effect.

6. Enhancing partnership relations between executive government bodies of Sverdlovsk region, municipal authorities, non-governmental organizations, associations of entrepreneurs, and organizations of SME support infrastructure.

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